

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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AT RICHMOND, JUNE 20, 2008

APPLICATION OF

2008 JUN 20 P 1:41

CENTRAL TELEPHONE COMPANY OF VIRGINIA
AND UNITED TELEPHONE-SOUTHEAST, INC.

CASE NO. PUC-2008-00008

For Approval of its New Plan for
Alternative Regulation

FINAL ORDER

On January 8, 2008, Central Telephone Company of Virginia and United Telephone-Southeast, Inc. (collectively, "Embarq," "Company," or "Companies") filed an Application with the State Corporation Commission ("Commission") for approval, pursuant to § 56-235.5 B of the Code of Virginia ("Code"), of a new alternative regulatory plan ("New Plan" or "Proposed Plan") to replace its existing plan.¹

In its Application, Embarq states that the fundamental provisions of its proposed New Plan are as follows:

1. The New Plan establishes four classifications for the Companies' local telecommunications services: Competitive Services, Basic Local Exchange Telephone Services ('BLETS'), Other Local Exchange Telephone Services ('OLETS') and Bundled Services. Appendix A to the New Plan details the service classifications of the individual services.
2. The New Plan establishes new pricing parameters for BLETS and OLETS. The initial price ceiling for each Company-specific BLETS shall be the higher of: (1) the January 1, 1995 rate for each Company-specific BLETS as adjusted by the Gross Domestic Product Price Index ('GDPPI') through the last quarter before the effective date of the New Plan, or (ii) the highest tariffed price in

¹ Embarq states that "United Telephone, Inc. was converted to a limited liability company on November 9, 2007. As a result of the conversion, United Telephone-Southeast, Inc. changed its name to United Telephone Southeast LLC and also filed its Application for Approval of a Name Change with the [Commission] on December 14, 2007 in Case No. PUC-2007-00120." Application at 1 n.1.

effect for the BLETs in either Company on the effective date of the [New] Plan. BLETs price ceilings will be adjusted annually by GDPPI. However, BLETs prices for residential and business individual access lines during the first two years of the New Plan shall be subject to a \$3.00 annual price increase restriction. Beginning in year three and thereafter, the annual restriction shall be \$1.50 for residential individual access lines and \$3.00 for business individual access lines.

3. The monthly prices for private line and special access services, even though classified as OLETs, will be subject to a 15% annual price increase restriction under the New Plan. All other OLETs will not be subject to price regulation but will remain tariffed services.

4. The New Plan allows for revenue neutral changes to be made in the price of any BLETs, OLETs or switched access service notwithstanding other provisions of the New Plan when the Commission finds the price changes to be in the public interest. If a Company is required to make switched access reductions, then the Company may make revenue neutral price changes notwithstanding other provisions of the New Plan so long as the [sic] all rates remain affordable pursuant to Va. Code § 56-235.5.

5. The New Plan imposes upon the Companies a price floor for Competitive Services and services priced on an individual-case-basis ('ICB') equal to the incremental cost of producing the retail service. A Company shall submit data demonstrating the price for such services are [sic] above incremental cost upon complaint.

6. Tariffing and reporting requirements under the New Plan will be equal to the Commission's new competitive local exchange carrier rules.²

On January 14, 2008, the Commission issued an Order for Notice and Comment that, among other things: (1) docketed the Application; (2) provided interested persons an opportunity to comment and/or request a hearing on the Application; and (3) required Embarq to give notice to the public of its Application and of the opportunity to file comments and/or requests for hearing.

² Application at 6-7.

The following filed comments on or before February 29, 2008: C. James Ervin, Town Manager, Town of Rocky Mount; City of Bristol, d/b/a Bristol Virginia Utilities ("BVU"); Sprint Communications Company of Virginia, Inc., Sprint Spectrum, L.P., Sprintcom, Inc., Nextel Communications of the Mid-Atlantic, Inc., and NPCR, Inc. d/b/a Nextel Partners (collectively, "Sprint Nextel"); AT&T Communications of Virginia, LLC, and TCG Virginia, Inc.; and the Office of the Attorney General, Division of Consumer Counsel. On March 28, 2008, the Commission's Staff ("Staff") filed a Staff Report. On April 11, 2008, Embarq filed a "Response to Staff Report and Comments Filed with the Commission."

No party, including the Company, requests a hearing on this Application.³

NOW THE COMMISSION, having considered this matter, is of the opinion and finds as follows.

We deny the Application as filed. We approve the Application with the specific modifications contained in the Central Telephone Company of Virginia and United Telephone Southeast LLC Plan for Alternative Regulation ("Plan") attached hereto as Attachment A. Thus, in accordance with § 56-235.5 C 2 of the Code, Embarq may, at its option: (1) adopt the Plan approved herein; or (2) withdraw its Application and continue to be regulated under its existing alternative regulatory plan.

Code of Virginia

Section 56-235.5 B of the Code states as follows:

In regulating telephone services of any telephone company, and notwithstanding any provision of law to the contrary, the Commission, after giving notice and an opportunity for hearing, may replace the ratemaking methodology set forth in § 56-235.2

³ BVU previously requested a hearing. On March 24, 2008, Embarq filed a response and asserted that "there is no need for the Commission to conduct an evidentiary hearing to address BVU's concerns." Embarq's March 24, 2008 Response at 5. On March 24, 2008, BVU filed a Motion to Withdraw Hearing Request, which we grant below.

with any alternative form of regulation which: (i) protects the affordability of basic local exchange telephone service, as such service is defined by the Commission; (ii) reasonably ensures the continuation of quality local exchange telephone service; (iii) will not unreasonably prejudice or disadvantage any class of telephone company customers or other providers of competitive services; and (iv) is in the public interest. Alternatives may differ among telephone companies and may include, but are not limited to, the use of price regulation, ranges of authorized returns, categories of services, price indexing or other alternative forms of regulation. A hearing under this section shall include the right to present evidence and be heard. Prior to any hearing under this section, the Commission shall provide parties an opportunity to conduct discovery.

Section 56-235.5 C of the Code provides that the "Commission shall approve the application if it finds, after notice to all affected parties and hearing, that the proposal meets the standards for an alternative form of regulation set forth in subsection B."

Section 56-235.5 H of the Code further states that "[w]henver the Commission adopts an alternative form of regulation pursuant to subsection B or C above, . . . the Commission shall adopt safeguards to protect consumers and competitive markets. At a minimum these safeguards must ensure that there is no cross subsidization of competitive services by monopoly services."

In addition, § 56-235.5:1 of the Code provides as follows:

The Commission, in resolving issues and cases concerning local exchange telephone service under the federal Telecommunications Act of 1996 (P.L. 104-104), this title, or both, shall, consistent with federal and state laws, consider it in the public interest to, as appropriate, (i) treat all providers of local exchange telephone services in an equitable fashion and without undue discrimination and, to the greatest extent possible, apply the same rules to all providers of local exchange telephone services; (ii) promote competitive product offerings, investments, and innovations from all providers of local exchange telephone services in all areas of the Commonwealth; and (iii) reduce or eliminate any requirement to price retail and wholesale products and services at levels that do not permit providers of local exchange telephone services to recover their costs of those products and services.

If the Commission approves the Application with modifications, Embarq is not required to implement the alternative regulatory plan as modified by the Commission. Specifically, § 56-235.5 C 2 of the Code directs as follows: "If the Commission approves the application with modifications, the telephone company . . . may, at its option, withdraw its application and continue to be regulated under the form of regulation that existed immediately prior to the filing of the application, unless it is modified for a telephone company by the Commission pursuant to subsection B."

New Plan

We find that Embarq's proposed New Plan does not meet the standards for an alternative form of regulation set forth in § 56-235.5 B of the Code and, thus, deny the Application as filed. We also find, however, that with the modifications contained in the Plan, the proposed plan meets the standards for an alternative form of regulation set forth in § 56-235.5 B of the Code.

Classification of Services as Competitive

Embarq notes that its "current plan calls for the Commission to decide a competitive classification request within 150 days. . . ."⁴ Embarq, however, proposes to shorten this period: In subsection D 2 of the New Plan, "Embarq's proposed language establishes a 90-day timeframe in which to conduct proceedings for the classification of new or existing services as competitive."⁵ Conversely, the Staff "find[s] no reason to support a mandated time constraint for the Commission's determination; however, if the Commission wishes to include such, [the Staff] suggest[s] that at least 180 days from the date of the application should be required."⁶ We find

⁴ Embarq's April 11, 2008 Response at 6.

⁵ Embarq's April 11, 2008 Response at 5.

⁶ Staff's March 28, 2008 Report at 13.

that the current 150-day guideline should only be shortened by 30 days. Accordingly, we conclude that, to permit reasonable public participation and to be in the public interest, such time frame as referenced in the plan should be 120 days.⁷

Embarq erroneously contends, in support of its proposal, that the Commission has established a 90-day period for these purposes for Verizon Virginia Inc. and Verizon South Inc. (collectively, "Verizon") in Case No. PUC-2007-00008.⁸ The Verizon case, however, was for a distinctly different purpose — under different statutory provisions — than the instant proceeding. Specifically, Verizon requested *deregulation* of certain services under §§ 56-235.5 E and F of the Code, whereas Embarq requests an *alternative regulatory plan* under § 56-235.5 B of the Code. In approving price deregulation for certain BLETS and OLETS for Verizon, the Commission established a competitiveness test based on the record in that case and created a 45-day administrative process (which can be extended an additional 45 days) through which to apply such test on the basis of telephone exchange areas. Embarq could have, but has not, filed for determinations of competitiveness and deregulation as Verizon did. Likewise, Embarq could have, but has not, requested a competitiveness test, and its concomitant administrative process, for deregulating certain services. The 45-day administrative process resulting from Verizon's application for deregulation is wholly distinct from, and thus inapplicable to, the case at bar.

Prices for BLETS and OLETS

Section F of Embarq's Proposed Plan governs price changes for BLETS and OLETS. As discussed in more detail below, we find that in order to protect affordability, to not unreasonably

⁷ The specific modifications approved in this Final Order are reflected in the Plan attached hereto as Attachment A.

⁸ Embarq's April 11, 2008 Response at 7.

prejudice or disadvantage any class of telephone company customers, and to be in the public interest, Embarq's proposal must be modified such that prices for BLETS and OLETs are governed as discussed below.⁹

We recognize at the outset that to support its requested pricing flexibility, the Company contends that it "has confidence that market forces will control Embarq's pricing decisions as it considers the flexibility it receives."¹⁰ As noted above, however, this is not a deregulation case such as filed by Verizon in Case No. PUC-2007-00008. Contrary to Embarq's apparent reliance on market forces, the Company did not file an application to deregulate or to declare services competitive under the requirements and statutory standards set forth in §§ 56-235.5 E and F of the Code. Rather, Embarq filed the instant Application — seeking an alternative regulatory plan under § 56-235.5 B of the Code — and we must apply the statutory standards attendant thereto.

In addition, the Company asserts that "Dr. Brian Staihr, Embarq's chief economist and a director of policy, presents in his affidavit, which accompanies the Proposed Plan, a detailed study demonstrating that both the proposed affordable price ceilings and annual pricing constraints for BLETS are patently reasonable."¹¹ As discussed below, however, we do not find that Embarq's Application, including the affidavits attached thereto, establish that the entirety of the pricing flexibility proposed in the New Plan protects affordability, does not unreasonably prejudice or disadvantage any class of telephone company customers, and is in the public interest.

⁹ See Va. Code §§ 56-235.5 B i, iii, and iv.

¹⁰ Embarq's April 11, 2008 Response at 9.

¹¹ Embarq's April 11, 2008 Response at 9.

Price Ceilings

Embarq proposes to set the price ceiling for each Company-specific BLETS, including Company-specific BLETS on a rate group basis, at the higher of: (1) the January 1, 1995 rate adjusted by GDPPI through the last quarter prior to the effective date of the New Plan; or (2) the highest tariffed price currently in effect for the BLETS in either Company.

We find that (1), above, protects the affordability of BLETS and is in the public interest. When we approved Embarq's regulatory plan in 1994, we found that the 1994 BLETS rates (which were in effect on January 1, 1995) were affordable.¹² We now further conclude that GDPPI represents an appropriate inflationary gauge with which to measure affordability over time.¹³ We also find, however, that Embarq has not established that a price ceiling above the GDPPI-adjusted rate satisfies the statutory standards in this case. Thus, we reject Embarq's proposal to increase a price ceiling — above the GDPPI-adjusted level — to the highest tariffed price currently in effect for the BLETS in either Company. Embarq has not established that such a higher ceiling protects affordability, does not unreasonably disadvantage classes of telephone company customers, and is in the public interest.

Accordingly, we find that in order to meet the statutory standards attendant hereto, the price ceiling for each Company-specific BLETS must not exceed the January 1, 1995 rate adjusted annually for inflation as measured by the GDPPI. In addition, having approved the use of GDPPI as a determination of affordability, we approve Embarq's proposal to increase the price

¹² See *Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte: In the matter of investigating telephone regulatory methods pursuant to Virginia Code § 56-235.5, etc.*, Case No. PUC-1993-00036, 1994 S.C.C. Ann. Rep. 262 (Oct. 18, 1994).

¹³ Specifically, subsection F 4 shall provide that the GDPPI utilized herein "shall be the final estimate of the Chain-Weighted GDPPI as prepared by the U.S. Department of Commerce and published in the Survey of Current Business, or its successor." See, e.g., Staff's March 28, 2008 Report, Exhibit 2 at 3.

ceiling for BLETs in the future on an annual basis by an amount equal in percentage terms to the increase in GDPPI during the prior twelve months.¹⁴

Price Increases

Embarq proposes to limit BLETs price increases for individual access lines to \$3.00 per year for the first two years of the New Plan and, thereafter, to the higher of (i) 10%, or (ii) \$1.50 for residential customers and \$3.00 for business customers.¹⁵ In addition, "[a]fter the first two years in the [New] Plan, the Company may accumulate allowable price increases beyond a twelve month period . . . but in no event may the Company increase the price for a BLETs that exceeds 25% in a single twelve month period."¹⁶

We find that the proposals to limit (1) average annual price increases to 10%, and (2) any BLETs increase to 25% in a single twelve month period, are in the public interest and protect affordability. We do not find, however, that average annual price increases above this amount likewise satisfy the necessary statutory standards. Specifically, Embarq has not established that its requested \$3.00 and \$1.50 increases — which could greatly exceed an average annual increase of 10% for some customers — are in the public interest and protect affordability. For example, the Staff explains that under Embarq's proposal, some customers could see a rate increase of more than 60% over the first thirteen months, and more than 80% over the first twenty-five months, of the New Plan.¹⁷

¹⁴ We also note that the price ceiling may be adjusted pursuant to a revenue neutral rate change under section G of the plan.

¹⁵ Application, Attachment A at 3.

¹⁶ Application, Attachment A at 3-4.

¹⁷ See Staff's March 28, 2008 Report at 17.

Accordingly, under subsection F 5 of the Plan approved herein, BLETs price increases shall be governed as follows:

During the first twelve months following the effective date of this Plan, BLETs price increases may not exceed 10%. Thereafter, the increase may not exceed a percentage amount calculated by multiplying .0083 times the number of months (equates to 10% per twelve month period) since the most recent increase. The Company may accumulate allowable price increases beyond a twelve month period as described above but in no event may the Company increase the price for a BLETs that exceeds 25% in a single twelve month period.

OLETs

Embarq proposes (1) to limit price increases for two OLETs, *i.e.*, private line and special access services, and (2) to deregulate the remaining OLETs as to price. First, Embarq proposes to limit price increases for private line and special access services as follows: (i) "[a] Company may not increase the monthly price for private line or special access services in the OLETs classification by more than 15% in any twelve month period;" and (ii) "[t]he Company may accumulate allowable monthly price increases beyond a twelve month period . . . but in no event may the Company increase monthly prices for these specific OLETs by more than 25% in any single twelve month period."¹⁸ Second, for all other OLETs, Embarq proposes to increase or decrease prices "as the Company deems appropriate;" that is, "[a]ll other OLETs will not be subject to price regulation. . . ."¹⁹

We find that Embarq has not established in this proceeding that all OLETs (excluding private line and special access services) are sufficiently competitive to warrant price deregulation. We do not find that it is in the public interest to deregulate these OLETs as to

¹⁸ Application, Attachment A at 4.

¹⁹ Application at 6, Attachment A at 4.

price. Moreover, as discussed above, Embark did not file an application to deregulate or to declare OLETS competitive under the requirements set forth in §§ 56-235.5 E and F of the Code. We find that it is in the public interest to apply Embark's proposed 15% and 25% limitations to *all* OLETS (not just private line and special access services) in subsection F 6 of the Plan as follows:

During the first twelve months following the effective date of this Plan, price increases for OLETS may not exceed 15%. Thereafter, the increase may not exceed a percentage calculated by multiplying .0125 times the number of months (equates to 15% per twelve month period) since the most recent increase. The Company may accumulate allowable price increases beyond a twelve month period as described above but in no event may the Company increase prices for OLETS that exceed 25% in a single twelve month period.

Local Measured or Message Service

The price of measured or message services ("measured service") consists of (1) a monthly flat rate component, and (2) a usage component.²⁰ Embark also has customers that pay only a flat rate — with no usage component — for unlimited service; this is referred to as a single party flat rated access line or trunk ("flat rate service").²¹ This distinction between measured service and flat rate service is relevant herein because Embark proposes an exception to the pricing limits that would otherwise be permitted for measured service. Specifically, the Company requests authority to increase the price of the flat rate component of measured service to match the price permitted for the comparable flat rate service.²² We do not find that this proposal protects affordability or is in the public interest.

²⁰ See, e.g., Staff's March 28, 2008 Report at 18.

²¹ See Staff's March 28, 2008 Report at 18-19; Embark's April 11, 2008 Response at 9-10.

²² See, e.g., Application, Attachment A at 4; Embark's April 11, 2008 Response at 9-11; Staff's March 28, 2008 Report at 18-20.

Embarq asserts that the "Staff Report provides no evidence — empirical or anecdotal — to support its concern" regarding the affordability of measured service under the Company's proposal.²³ The Staff explains, however, that Embarq's proposed exception for the flat rate component of measured service "would result in a ceiling rate for measured or message service that would be considerably higher than the ceilings that would otherwise be determined" under the plan.²⁴ Indeed, Embarq's proposal could result in rate increases for measured service that greatly exceed the price limits approved above. Specifically, we have determined herein that the use of GDPPI for price ceilings, along with price increases limited to 10% per twelve month period, are necessary to protect the affordability of BLETs. Measured service is a BLETs under the plan. Embarq has not established that exceeding the BLETs pricing limits approved herein protects the affordability of measured service.

Embarq argues, however, that "[a]ffordable is affordable" and "[t]his is not an affordability issue."²⁵ Rather, the Company asserts that its proposal for measured service "simply afford[s] Embarq the flexibility to design service portfolios and pricing strategies that make sense in today's telecommunications market," and that this "is about pricing flexibility, not endangering the affordability of basic local service."²⁶ In this regard, and in addition to our finding on affordability, we further conclude that Embarq's proposal for additional measured service pricing flexibility is not in the public interest. This proposal would allow the Company to reduce significantly, and ultimately to eliminate, measured service.²⁷ Indeed, Embarq

²³ Embarq's April 11, 2008 Response at 10.

²⁴ Staff's March 28, 2008 Report at 18-20.

²⁵ Embarq's April 11, 2008 Response at 10-11.

²⁶ Embarq's April 11, 2008 Response at 11.

²⁷ See, e.g., Staff's March 28, 2008 Report at 19.

contends as follows: (1) "[i]t would be unusual for a customer to continue subscribing to [measured service] if the flat-priced component of [measured service] were equal to the price for non-usage-sensitive BLETs;" but, (2) "[f]rankly, whether to do this should be a decision of Embarq's as it considers the needs of its customers and whether to simplify its overall pricing strategy and portfolio of services;" and, ultimately, (3) "[i]f Embarq does so and customers are dissatisfied with the value and price of [measured] service, [measured service] customers could then choose to rely solely on wireless service, switch to another wireline local service provider. . . , or subscribe to the non-usage BLETs equivalent."²⁸

As discussed above, this is not a deregulation case. Embarq has not established that measured service customers have competitive alternatives — either within or without the Company — to the specific measured service that they now receive. Embarq also has not established that measured service is somehow an obsolete offering. Embarq has not shown that it is in the public interest, and that it will not unreasonably disadvantage any class of telephone company customers, to allow the Company, at its option, to price measured service out of existence.

Revenue Neutral Rate Changes

We reject Embarq's proposed subsection G 2. That subsection states, in part, that the "Companies shall not be required to reduce intrastate switched access rates without also being permitted, at their discretion, to increase BLETs and/or OLETs rates and/or other support being made available to the Companies to recover in total the revenue lost as a result of the required access rate reduction."²⁹ We are not persuaded that proposed subsection G 2 protects the

²⁸ Embarq's April 11, 2008 Response at 10-11.

²⁹ Application, Attachment A at 4.

affordability of basic local exchange telephone service and is in the public interest. The level, if any, of any future switched access charge reductions, and the timing of the same, is unknown. Approving — now — an unknown increase in rates for some undefined point in the future does not protect the affordability of basic local exchange telephone service and is not in the public interest. Further, we reject the premise of Embarq's proposed subsection G 2, that reductions in intrastate switched access rates must necessarily be connected to, and must automatically result in, dollar-for-dollar increases to BLETS and/or OLETS rates.

We approve Embarq's proposed subsection G 3, with the modifications recommended by the Staff. The Staff explains this subsection as follows:

Subsection G 3 is a new provision whose concept originated from the Staff. It is a proposed administrative mechanism that would allow the Companies to implement certain restructuring proposals without having to seek approval from the Commission pursuant to Subsection G 1. It is intended to allow the Staff to review and accept restructures of individual BLETS or OLETS that have minimal impact on customers. An example of such a proposal might involve restructuring the message component of a measured exchange service from a distance or time of day sensitive pricing to a single postalized usage rate.³⁰

The Staff, however, recommends specific changes to the text of this subsection, which are shown below:

A Company may submit tariff revisions to the Division of Communications to restructure a BLETS or OLETS that does not result in a net increase in operating revenues for the Company and ~~either has only a minimal impact on consumers or benefits a majority of customers.~~ A proposed filing may involve a restructure or reconfiguration of rate elements for a BLETS or OLETS offering. The Company must provide justification and documentation that there is only a minimal impact on any individual affected customers or the restructure benefits a majority of the customers impacted and is, thus, and that the restructure is in the public interest. The Division of Communications, at its

³⁰ Staff's March 28, 2008 Report at 26.

~~discretion, may determine whether a restructure shall be considered under this Subsection. The restructure may become effective 60 days after filing unless the Division of Communications advises the Company that it is still reviewing the restructure filing; however, completion of that review shall take no longer than 75 days. The Division of Communications will advise the Company that the proposed tariff revisions do not meet the necessary requirements for consideration under this provision or that sufficient documentation was not provided.~~³¹

We find that Staff's recommendations for this subsection are necessary to protect the affordability of basic local exchange telephone service and to be in the public interest. For example, if a filing hereunder simply benefits a majority of customers (as proposed in the New Plan), we do not conclude that such would necessarily be in the public interest. Since this is an *optional* administrative mechanism that will be implemented by the Staff, (*i.e.*, under subsection G 1, Embarq also can file formal requests for revenue neutral rate changes with the Commission), we further conclude that it is necessary, and in the public interest, for the plan explicitly to set forth that "[t]he Division of Communications, at its discretion, may determine that a specific request is not appropriate for resolution under this Subsection."

In addition, we find that it is in the public interest for subsection G 1 to reflect that both switched access services and special access services are subject to revenue neutral filings. We note that this modification was recommended by the Staff and subsequently accepted by Embarq.³²

Individual-Case-Basis Pricing, Contract Service Arrangements, and Promotions

Under the express terms in subsection H 1, "Individual-Case-Base ('ICB') contract pricing is allowed for BLETs and OLETs when a competitive alternative exists for an individual

³¹ See, e.g., Staff's March 28, 2008 Report, Exhibit 2 at 4.

³² See Staff's March 28, 2008 Report at 24; Embarq's April 11, 2008 Response at 5.

customer but where the service does not otherwise satisfy the requirements of [subsection C 2 a]" (*i.e.*, the competitive services classification) of the plan.³³ The Staff proposes a reporting requirement for these ICBs. Embarq, however, "opposes the Staff's proposed reporting of [ICBs]," and asserts that the reporting "process proposed by Staff, while somewhat more flexible than the standard set for Verizon, is still cumbersome to provisioning services in an already competitive market."³⁴ We find that ICBs are used to provide off-tariff, competitive pricing – for services that have *not* been classified as competitive. Accordingly, we find that in order for it to be in the public interest to grant Embarq such competitive pricing discretion, the Company must report these transactions as follows:

The Company must file semi-annually with the Staff a proprietary report listing the names of customers with whom new ICB contracts have been executed, the BLETS and OLETS sold under each new contract, and the competitive threat for each of these offerings. Upon written request by another party, the Company will disclose to that party the number of customers included in the semi-annual report.

In addition, we find that it is in the public interest: (1) in subsection H 1, to clarify that the Staff may request Embarq to provide documentation demonstrating that the conditions of subsection K 1 (*i.e.*, price floors) are met for any ICB; and (2) in subsection H 2 (Contract Service Arrangements), to reference explicitly a "request for proposal ('RFP') or other specific procurement request from a customer."³⁵

³³ Application, Attachment A at 5.

³⁴ Embarq's April 11, 2008 Response at 16-17.

³⁵ Plan, subsection H 2. We note that this clarification in subsection H 2 was recommended by the Staff and subsequently accepted by Embarq. *See* Staff's March 28, 2008 Report at 30-31; Embarq's April 11, 2008 Response at 16.

Pricing for Bundled Services

We find that it is in the public interest in section I, Pricing for Bundled Services, to clarify that bundled services found competitive by the Commission under the Code shall also be treated as competitive services under the plan as follows: "A Bundled Service that is determined by the Commission to be competitive pursuant to Va. Code § 56-235.5 F shall be a Competitive Service under this Plan."³⁶

Competitive Safeguards

We find that Embarq's proposed section K must be significantly modified, as set forth below, in order to "not unreasonably prejudice or disadvantage ... other providers of competitive services,"³⁷ "to protect . . . competitive markets [and] ensure that there is no cross subsidization of competitive services by monopoly services,"³⁸ and to be "in the public interest."³⁹

Price Floors

Subsection K 1 addresses price floors. We agree with the Staff that under this subsection as proposed by Embarq, "there is little, if any, Commission oversight," "it is unlikely that [the proposed safeguards] could be properly monitored by the Staff or other parties," and "several of the provisions are confusing, circular in nature, and potentially conflicting with each other."⁴⁰

In subsection K 1 b Embarq proposes "a Competitive Service and ICB price floor that equals or exceeds the incremental cost of the service, or in the alternative, the lower of

³⁶ Plan, Section I. We note that this was recommended by the Staff and subsequently accepted by Embarq. *See* Staff's March 28, 2008 Report at 31-32; Embarq's April 11, 2008 Response at 5.

³⁷ Va. Code § 56-235.5 B iii.

³⁸ Va. Code § 56-235.5 H.

³⁹ Va. Code § 56-235.5 B iv.

⁴⁰ Staff's March 28, 2008 Report at 32.

incremental cost or the tariffed rate for the access line when the line is (or is an essential part of) the Competitive Service or ICB."⁴¹ The Staff explains, however, some of the deficiencies in Embarq's proposed price floor standard:

[T]he price floor standard in the Proposed Plan does not recognize that, because competitors often must obtain network services from Embarq, it controls many of the input (*i.e.*, incremental) costs of essential components of many of its competitors' services. Those components can range from access charges (virtually unavoidable) to wholesale services such as unbundled loops or resale discounts. Those service or network components are not priced to competitors at Embarq's incremental cost, so under this Subsection, it would be able to sell its services to customers for less than it sells the same services (or network components) to its competitors. . . . [Subsection K 1 b also] provides Embarq an automatic 'out' when it can't show that a 'competitive' retail access line covers its incremental cost; then it only has to cover the tariffed price of the line. This is a circular premise as it would require only that Embarq 'lower' the tariffed price of the access line service if it wanted to offer the service at below incremental cost.⁴²

In addition, and as further discussed by the Staff:

[A] price floor for a Competitive Service should equal or exceed the cost of the service components (*i.e.*, access charges, [unbundled network elements ('UNEs')], wholesale discounts) that a competitor must pay (*i.e.*, their incremental cost) to offer the comparable service to not 'unreasonably prejudice' other providers of competitive services as required by § 56-235.5 B (iii). However, . . . when competitors are not reliant on the service or network components of the [incumbent local exchange carrier ('ILEC')], it is then reasonable to establish the price floor at the ILEC's incremental cost.⁴³

Subsection K 1 c, as proposed in the New Plan, further allows Embarq to price a Competitive Service or ICB below the price floor upon waiver by the Commission and whenever

⁴¹ Staff's March 28, 2008 Report at 32.

⁴² Staff's March 28, 2008 Report at 33 (footnote omitted).

⁴³ Staff's March 28, 2008 Report at 35 (footnote omitted).

a competitor is "actively offering a comparable service to comparably situated customers at a lower price than the price floor prescribed by this Plan."⁴⁴ As noted by the Staff, however, this provision should be clarified (1) to set forth the standards for waiver of this subsection, and (2) to require Embarq to obtain the Commission's approval prior to pricing below the price floor under this subsection.⁴⁵

In sum, based on our findings herein, subsection K 1 of the Plan approved herein shall include the price floor provisions recommended by the Staff.⁴⁶

Cross Subsidy

Section 56-235.5 H of the Code requires the Commission to "ensure that there is no cross subsidization of competitive services by monopoly services." To satisfy this statutory requirement, we find that subsection K 2 of the Plan approved herein shall require that: (1) Competitive Services in the aggregate must cover their direct incremental costs; (2) Embarq shall annually file data to demonstrate (1); and (3) unless otherwise permitted, the price of an individual Competitive Service must cover its incremental costs.

Investigations

Finally, section K shall explicitly provide that "[a]ny party may request a Commission investigation of any rate to ensure that it complies with the competitive safeguards in this Section."⁴⁷

⁴⁴ Application, Attachment A at 6.

⁴⁵ See, e.g., Staff's March 28, 2008 Report at 34-37 and Exhibit 2.

⁴⁶ See, e.g., Staff's March 28, 2008 Report, Exhibit 2 at 5-6. In addition, we find that subsection K 1 should reference "direct" incremental costs to ensure that the appropriate costs are used to implement these safeguards.

⁴⁷ Plan, subsection K 3. We note that this was recommended by the Staff and subsequently accepted by Embarq. See Staff's March 28, 2008 Report, Exhibit 2 at 6; Embarq's April 11, 2008 Response at 5.

Access Services

We find that section L should be modified to state that both "switched" access and "special" access services will be considered separately by the Commission. As noted by the Staff, Embarq's current regulatory plan "does not make a distinction between switched and special access services so both are currently excluded from the plan for pricing purposes, and both are to be considered separately by the Commission."⁴⁸ Embarq's Proposed Plan, however, omits special access services from section L. The Staff and Sprint Nextel oppose this omission and assert that special access should continue to be addressed separately by the Commission outside of the regulatory plan.

For example, the Staff explains that "[g]enerally, carriers that rely on special access service to serve their customers have limited, if any, alternatives to purchasing special access from the incumbent carrier."⁴⁹ In addition, Sprint Nextel states that "[a]s the Commission is aware, many service providers and wireless providers in particular are highly dependent on special access services as essential inputs to their retail services," and Sprint Nextel "respectfully requests that the Commission not permit Embarq to increase its special access rates until it makes a showing that its present rates and any proposed increases are just and reasonable."⁵⁰

We find that carriers and other customers that may purchase special access services may be unreasonably disadvantaged by permitting Embarq to increase special access prices as part of the plan, *i.e.*, without separate consideration and approval by the Commission. Accordingly, under the Plan approved herein, Embarq has the opportunity — as it currently does under its

⁴⁸ Staff's March 28, 2008 Report at 38.

⁴⁹ Staff's March 28, 2008 Report at 23.

⁵⁰ Sprint Nextel's February 29, 2008 Comments at 12.

existing plan — to seek price increases to special access services as part of a separate application filed with the Commission, and the Commission will rule on such applications based on the specific record developed in those proceedings. In sum, we find that in order to not unreasonably prejudice or disadvantage any class of telephone company customers or other providers of competitive services, and to be in the public interest, Embarq's proposal must be modified such that prices for "special" access services will be considered separately by the Commission outside of the Company's plan for alternative regulation.⁵¹

Appendix A

In Appendix A of Embarq's Proposed Plan, the Company classifies its existing services into the following categories: BLETS, OLETS, Competitive Services, and Bundled Services. The Staff notes, however, that "Embarq is proposing to reclassify all service charges as OLETS *regardless* of the underlying service's classification."⁵² The Staff objects to such reclassification and explains as follows:

Service charges should be classified in the same category with the associated service. This is particularly troubling for service charges associated with BLETS. For example, a customer purchasing a basic dial tone service or moving an existing service to a new location would need to pay certain service charges as a result of initiating service (*i.e.*, service ordering, connection charge). The 'unavoidable' cost of any required service charge could impact the affordability of the basic telephone service.⁵³

We find that in order to protect affordability, and to be in the public interest, Embarq's proposal must be modified such that service charges are classified in the same category as the underlying

⁵¹ See Va. Code §§ 56-235.5 B iii and iv.

⁵² Staff's March 28, 2008 Report at 39 (emphasis added).

⁵³ Staff's March 28, 2008 Report at 39.

service.⁵⁴ Appendix A of the Plan approved herein shows the classification categories for Embarq's services.

Accordingly, IT IS HEREBY ORDERED THAT:

(1) Embarq's Application For Approval of its New Plan for Alternative Regulation is denied as filed.

(2) Embarq's Application For Approval of its New Plan for Alternative Regulation is approved as modified by this Final Order.

(3) The "Central Telephone Company of Virginia and United Telephone Southeast LLC Plan for Alternative Regulation," as approved herein and attached to this Final Order as Attachment A, shall become effective as of August 1, 2008, should Embarq elect to adopt it.

(4) On or before July 18, 2008, Embarq shall notify the Commission, by letter filed with the Clerk of the Commission, of its election to adopt the "Central Telephone Company of Virginia and United Telephone Southeast LLC Plan for Alternative Regulation" approved herein.

(5) If Embarq elects to adopt the "Central Telephone Company of Virginia and United Telephone Southeast LLC Plan for Alternative Regulation" approved herein, on or before July 18, 2008 Embarq shall submit a compliance filing with the Clerk of the Commission, with supporting documentation, identifying for each company-specific BLETS, including company-specific BLETS on an individual rate group basis: (a) the January 1, 1995 rate; (b) the January 1, 1995 rate in (a) adjusted by the final GDPPI through the last quarter before the effective date of this plan; (c) the current rate under the existing regulatory plan; and (d) the price ceiling to be effective as of August 1, 2008.

(6) BVU's March 24, 2008 Motion to Withdraw Hearing Request is granted.

⁵⁴ Va. Code §§ 56-235.5 B i and iv.

(7) This matter is dismissed.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Edward Phillips, Esquire, Embarq, Mailstop NCWKFR0313, 14111 Capital Boulevard, Wake Forest, North Carolina 27587-5900; Mark Keffer, Esquire, AT&T Communications of Virginia, LLC, 3033 Chain Bridge Road, Room 3-D, Oakton, Virginia 22185-0001; JoAnne L. Nolte, Esquire, The Conrad Firm, 1520 West Main Street, Suite 204, Richmond, Virginia 23220; David E. Anderson, Esquire, Advantus Law Group, PLLC, 1011 East Main Street, Suite 410, Richmond, Virginia 23219; C. J. Ervin, town Manager, Town of Rocky Mount, 345 Donald Avenue, Rocky Mount, Virginia 24151; Ashley B. Macko, Assistant Attorney General, Division of Consumer Counsel, Office of Attorney General, 900 East Main Street, 2nd Floor, Richmond, Virginia 23219; and the Commission's Office of General Counsel and Division of Communications.

A True Copy
Teste:


Clerk of the
State Corporation Commission

**CENTRAL TELEPHONE COMPANY OF VIRGINIA AND
UNITED TELEPHONE SOUTHEAST LLC
PLAN FOR ALTERNATIVE REGULATION**

A. Applicability of Plan.

1. Upon election, this Plan will apply to Central Telephone Company of Virginia and United Telephone Southeast LLC (herein sometimes collectively referred to as "Companies" or singularly as "Company") and will go into effect on August 1, 2008.
2. The Companies may be referred to collectively; however, such reference does not preclude either Company from seeking any singular treatment under any provisions of this Plan.
3. Nothing in this Plan shall be deemed to affect the ability or authority of any entity other than the Companies to offer any telecommunications service.

B. Changes to Plan.

1. Any change to this Plan may occur only after an appropriate proceeding is initiated and held under the provisions of § 56-235.5 D of the Code of Virginia ("Va. Code").
2. Any such change approved by the Commission shall have prospective effect only.

C. Classification of Services.

1. Telecommunications services of the Companies will be classified into four categories called Competitive Services, Basic Local Exchange Telephone Services, Other Local Exchange Telephone Services, and Bundled Services, as defined below. The Companies' existing services are distributed among these four categories in accordance with Appendix A hereto.
2. Service classifications are defined as follows:
 - a. "Competitive Services" are determined pursuant to Va. Code § 56-235.5 F. This includes any telephone services that are the functional equivalent of services offered by a county, city or town pursuant to Va. Code § 56.265.4:4 or Va. Code § 56-484.7:1 that are deemed competitive in the geographic area where the service of the county, city or town is offered.
 - b. "Basic Local Exchange Telephone Services" ("BLETS") are dial tone line and any included local calling allowance (flat rate, message rate, or measured

rate) sold to residence and business customers and that do not meet the definition of Competitive Services. BLETS may also include other services that the Commission determines are essential, non-optional telecommunications services that do not meet the definition of Competitive Services.

c. "Other Local Exchange Telephone Services" ("OLETS") are individual telecommunications services that do not conform to the definition of Competitive Services or the definition of BLETS.

d. "Bundled Services" are packages of services that include services from one or more of the categories defined in Subsections C 2 a, C 2 b, and C 2 c above and are offered at an aggregate price.

D. Classification of New Services and Reclassification of Existing Services.

1. Justification for the classification of a new service or reclassifying an existing service to BLETS, OLETS, or Bundled Service shall be included in tariff or other notice filed with the Division of Communications.

2. Upon offering a new or reclassifying an existing service as a Competitive Service, the Company shall file an application including justification for the competitive classification with the Commission in accordance with Va. Code §§ 56-235.5 E and F. The filing of such application shall not result in the postponement of any new Competitive Service offering unless the Commission orders otherwise. The Commission shall have 120 days from the date of a completed application to determine whether the service meets the statutory requirements of Va. Code § 56-235.5 F to be classified as competitive. However, the Commission may extend this time frame as it deems necessary.

3. Any interested party may petition the Commission for reclassification of a Company's existing service.

4. For services deemed competitive pursuant to Va. Code § 56-235.5 F, the Company shall, in notice to the Division of Communications, identify the relevant geographic area where the services of the county, city, or town are being offered. If applicable, the Company shall explain the basis for using functionally equivalent services for determining that the services are deemed competitive.

E. Tariff and Customer Notice Requirements.

1. Tariff and customer notice requirements for all Competitive Services, BLETS, OLETS and Bundled Services shall be governed by 20 VAC 5-417-50 F and I.

2. The Commission may approve, upon petition of the Company, the detariffing of a Competitive Service if determined to be in the public interest pursuant to Va. Code § 56-235.5 E. Unless otherwise determined by the Commission, the Companies will file tariffs for any telephone services that are functionally equivalent to services offered by a county, city, town, pursuant to Va. Code § 56-265.4:4 or § 56-484.7:1 that are deemed competitive pursuant to Va. Code § 56-235.5 F.

F. Prices for BLETs and OLETs.

1. Price ceilings and allowable increases for BLETs and OLETs are set forth in this Section.

2. The initial price ceiling for each Company-specific BLETs shall be the January 1, 1995 rate for each Company-specific BLETs, including Company-specific BLETs on an individual rate group basis, as adjusted by the Gross Domestic Product Price Index ("GDPPI") through the last quarter before the effective date of this Plan.

3. Thereafter, the price ceiling for BLETs will increase annually on the anniversary of the effective date of the Plan by an amount equal in percentage terms to the increase in the GDPPI during the past twelve months or may be adjusted further in accordance with Subsection G.

4. The GDPPI used to determine the price ceilings in Subsections F 2 and F 3 shall be the final estimate of the Chain-Weighted GDPPI as prepared by the U.S. Department of Commerce and published in the Survey of Current Business, or its successor.

5. During the first twelve months following the effective date of this Plan, BLETs price increases may not exceed 10%. Thereafter, the increase may not exceed a percentage amount calculated by multiplying .0083 times the number of months (equates to 10% per twelve month period) since the most recent increase. The Company may accumulate allowable price increases beyond a twelve month period as described above but in no event may the Company increase the price for a BLETs that exceeds 25% in a single twelve month period.

6. During the first twelve months following the effective date of this Plan, price increases for OLETs may not exceed 15%. Thereafter, the increase may not exceed a percentage calculated by multiplying .0125 times the number of months (equates to 15% per twelve month period) since the most recent increase. The Company may accumulate allowable price increases beyond a twelve month period as described above but in no event may the Company increase prices for OLETs that exceed 25% in a single twelve month period.

7. Rate Regrouping of Exchanges.

Nothing in this Plan shall be construed to prohibit rate regrouping of exchanges due to growth in access lines or expanded local calling.

8. Extended Local Service ("ELS") Calling Adder Rates.

Nothing in the Plan shall be construed to prohibit establishment of ELS Adder rates pursuant to Va. Code § 56-484.2, nor to permit increases in any tariffed ELS Adder rates.

G. Revenue Neutral Rate Changes.

1. Nothing in Section F specifically or this Plan generally shall be construed to prohibit the Companies from filing an application proposing changes in the price of any BLETS, OLETS or access services that do not result in a net increase in operating revenues for that Company. The Commission may approve such rate changes if it finds that they are in the public interest, or the Commission may refuse to approve the filing if it is not in the public interest.

2. A Company may submit tariff revisions to the Division of Communications to restructure a BLETS or OLETS that do not result in a net increase in operating revenues for the Company and has only minimal impact on consumers. A proposed filing may involve a restructure or reconfiguration of rate elements for a BLETS or OLETS. The Company must provide justification and documentation that there is only a minimal impact on any individual customer and that the restructure is in the public interest. The Division of Communications, at its discretion, may determine that a specific request is not appropriate for resolution under this Subsection. The restructure may become effective 60 days after filing unless the Division of Communications advises the Company that it is still reviewing the filing; however, completion of that review shall take no longer than 75 days.

3. Any price approved or that becomes effective under this Section that exceeds the then current price ceiling established under Subsections F 2 and F 3 for a BLETS will become the new price ceiling for that service and will thereafter increase in accordance with Subsection F 3.

4. The Commission may allow a BLETS price increase approved under this Section to increase the BLETS ceiling price up to the amount of the increase if the Commission finds such to be in the public interest and protects the affordability of such service.

H. Individual-Case-Basis Pricing, Contract Service Arrangements, and Promotions.

1. Individual-Case-Basis ("ICB") contract pricing is allowed for BLETS and OLETS when a competitive alternative exists for an individual customer but where the service does not otherwise satisfy the requirements of Subsection C 2 a of this Plan. The conditions of Subsection K 1 (Price Floors) must be met. In response to a complaint, other demonstrable concern, or Staff request, the Company shall provide documentation to the Staff demonstrating that the conditions of Subsection K 1 are met for any ICB offering. The Company must file semi-annually with the Staff a proprietary report listing the names of customers with whom new ICB contracts have been executed, the BLETS and OLETS sold under each new contract and the competitive threat for each of these offerings. Upon written request by another party, the Company will disclose to that party the number of customers included in the semi-annual report.

2. The Companies may offer unique Contract Service Arrangements for services that are not generally available pursuant to tariff or are being provided in response to a request for proposal ("RFP") or other specific procurement request from a customer.

3. The Companies may offer promotional rates, terms, or conditions for their services in accordance with requirements set forth in 20 VAC 5-417 50 J.

I. Pricing for Bundled Services.

Changes to prices for Bundled Services shall be governed by 20 VAC 5-417-50 F and I unless otherwise ordered by the Commission. The conditions of Subsection K 1 (Price Floors) must be met for any Competitive Service that is a component of a Bundled Service. A Bundled Service that is determined by the Commission to be competitive pursuant to Va. Code § 56-235.5 F shall be a Competitive Service under this Plan.

J. Reporting.

The Companies shall comply with the reporting requirements of 20 VAC 5-417-60 unless otherwise ordered by the Commission.

K. Competitive Safeguards.

1. Price Floor:

a. This Subsection applies to Competitive Services and ICB arrangements. "Service Components" shall be defined as Company unbundled network elements, access services, BLETS, and OLETS. Except as allowed in Subsection K 1 b, the costs associated with a Service

Component shall be the prices the Company charges other carriers for those components.

b. The price of a Competitive Service or ICB offering shall equal or exceed the sum of (i) the lowest-priced combination of any Service Components that can be used to provide the service, plus (ii) any direct incremental cost of other components of the Competitive Service or ICB offering, except when the Company sufficiently demonstrates to the Staff that at least one competitor is offering a comparable service in a comparable geographic area by self-provisioning Service Components, the price floor calculation need only reflect the Company's direct incremental cost for such Service Component to provide services on a competitive basis.

c. The Commission, upon petition of the Company, may grant a waiver of the price floor requirements for any Competitive Service or ICB offering when the Company demonstrates that a competitor or competitors are actively offering a comparable service to comparably situated customers at a lower price than the price floor requirement would otherwise permit, or in other situations as appropriate circumstances may warrant. The Company must demonstrate that such action would continue to protect consumers and competitive markets as required by Va. Code § 56-235.5 H, be consistent with Subsection K 2, and be in the public interest.

d. Within 30 days of being notified in writing by the Commission or the Staff of a complaint that a Competitive Service or ICB offering does not meet the price floor, the Company will provide, under proprietary protection, data demonstrating that the price floor is met.

2. Cross Subsidy:

Pursuant to Va. Code § 56-235.5 H, revenues from Competitive Services in the aggregate must cover their direct incremental costs, and the Companies shall file data annually to demonstrate this for each Company. Unless otherwise permitted, the price of an individual Competitive Service must cover its incremental costs.

3. Any party may request a Commission investigation of any rate to ensure that it complies with the competitive safeguards in this Section.

L. Access Services.

Pricing for access services, except as permitted in Section G above, will be considered separately by the Commission. For all other purposes, access services will be included in the categories as shown on Appendix A.

M. Service Quality.

The Companies shall comply with the retail service quality rules at 20 VAC 5-427-10 et seq. or other generally applicable retail service quality rules subsequently adopted by the Commission.

N. Monitoring of Competitive Services.

The Companies shall maintain sufficient information to allow the Commission to monitor the competitiveness of any service found to be competitive pursuant to Va. Code § 56-235.5 F. At minimum, the Company shall provide units and revenues for any Competitive Service within 30 days of a request by either the Commission or the Staff.

O. References to Commission Rules.

References in this Plan to rules established by the Commission are as such rules exist on the effective date of the Plan and as such rules may be amended.

APPENDIX A

MARKET CLASSIFICATIONS OF EMBARQ

BUNDLED *	COMPETITIVE *	OTHER LOCAL EXCHANGE TELEPHONE SERVICES *	BASIC LOCAL EXCHANGE TELEPHONE SERVICES *
Custom Calling Feature Packages	Advanced Business Connection	Asynchronous Transfer Mode (ATM)	Residential Dial Tone Line, and any included local calling allowance (flat rate, message rate, or measured rate)
Teen Talk	Alarm Monitoring	Automatic Announcement of Service (Time & Temperature)	Business Dial Tone Line, and any included local calling allowance (flat rate, message rate, or measured rate)
Special Packaged Offerings	Call Within	Auxiliary Equipment	ABC/CENTREX Exchange Access & Usage (NARs)
	Customer Premises Equip.	Billing Detail	Basic 911 Service/Circuits
	Customer Premises Extension and Tie Line Mileage	Busy Study Reports and Enhanced Traffic Assessments	Exchange Access
	Digital Centrex Service	Call Line Identifier	Extended Local Service (ELS)
	Enhanced 911 Services	Call Screening Services (Outgoing & Incoming)	Intrastate Switched Access
	Intrastate Billing and Collection Services	Central Office Guaranteed Disconnect	Lifeline Service
	Inside Wiring Charge	Central Office Blocking/Toll Restriction Service (700/900)	Link-Up Service
	Inside Wire Maintenance Plan	Charges Applicable Under Special Conditions	
	ISDN-PRI	Community Connect Services	
	Long Distance Message Service (MTS)	Connections With Certain Facilities and/or Equipment of Others	
	Long Distance Conference Service	Custom Calling Features (except Call Within)	
	National DA	Custom Calling II/ExpressTouch Features	

* Each service includes its associated Service Charges.

MARKET CLASSIFICATIONS OF EMBARQ

BUNDLED *	COMPETITIVE *	OTHER LOCAL EXCHANGE TELEPHONE SERVICES *	BASIC LOCAL EXCHANGE TELEPHONE SERVICES *
	Restriction and Blocking Services - Toll Casual Dialing Restriction; Repeat Dialing and Return Call Blocking; DA Call Completion Blocking	Data Packages	
	Special Billing Services, Special Reversed Charge Toll Service	Derived Channel Services	
	Speed Dial	Direct Inward Dialing (DID) Service	
	Sprint Personal Messenger	Direct Inward-Outward Dialing (DIOD) Service	
	Voice Messaging Service	Directory Assistance Service	
	Wide Area Telecommunications Service (WATS) Out & In	Directory Assistance Call Completion	
	Yellow Pages Advertising	Directory Listings	
		Dual Tone Multi-Frequency (DTMF) Service	
		EMBARQ Smart Connect	
		Extended Area Calling	
		Extended Community Calling Services (ECCS)	
		Extension Service, Tie Service & Mileage	
		Foreign Exchange Service	
		Frame Relay Service	
		In-Classroom Computer Access Service	
		Integrated Services Digital Network (ISDN), Basic Rate Interface (BRI)	
		Intrastate Special Access	
		Mobile Telephone Service	
		Operator Assisted Local Calls	
		Operator Assisted Services	
		Operator Handling Differentials for Local Calls	

* Each service includes its associated Service Charges.

MARKET CLASSIFICATIONS OF EMBARQ

BUNDLED *	COMPETITIVE *	OTHER LOCAL EXCHANGE TELEPHONE SERVICES *	BASIC LOCAL EXCHANGE TELEPHONE SERVICES *
		Optional Calling Plans	
		Payphone Line Service	
		Privacy ID	
		Private Branch Exchange Service, Hotel and Hospital Service	
		Private Line Telephone Service and Channels	
		Remote Call Forwarding	
		Rotary Line Service	
		Service Observing Arrangements	
		Shared Tenant Service	
		Simplified Message Desk Interface (SMDI)	
		Single Party Access Line Features	
		Special Billing Services	
		Special Operator Services/Verification/Interrupt Service	
		Subscriber Transfer Service	
		Talking Call Waiting	
		Telecommunications Service Priority (TSP) Systems	
		Telephone Answering Service Facilities	
		Toll Terminals	
		Transfer of Local Message Charges	
		Subscriber Transfer Service (Obsolete/Grandfathered)	
		Special Billing Numbers (Q-Z) (Obsolete/Grandfathered)	

* Each service includes its associated Service Charges.

MARKET CLASSIFICATIONS OF EMBARQ

BUNDLED *	COMPETITIVE *	OTHER LOCAL EXCHANGE TELEPHONE SERVICES *	BASIC LOCAL EXCHANGE TELEPHONE SERVICES *
		Custom Calling Services for Digital Offices (Obsolete/Grandfathered)	
		United SwitchLink (Obsolete/Grandfathered)	

* Each service includes its associated Service Charges.